

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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OFFICE OF THE SECRETARY

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COMPLAINT OF THE CONTINUITY  
SHIPPERS ASSOCIATION

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Docket No. C99-4

ANSWER OF UNITED STATES POSTAL SERVICE  
(July 9, 1999)

On June 9, 1999, the Postal Rate Commission received a document captioned "Complaint of the Continuity Shippers Association Regarding Charges for the Bulk Parcel Return Service." By letter dated the same day, the Office of the Secretary, Postal Rate Commission, designated the docket number above and advised the General Counsel, United States Postal Service, of the Complaint's filing under title 39, United States Code § 3662.

Complainant contends that the fee charged for Bulk Parcel Return Service ("BPRS") "is excessive and cannot be reconciled with the cost and non-cost criteria of the [Postal Reorganization] Act" and that "the BRPS service offered by the Postal Service to Standard (A) merchandise mailers does not conform to the policies set out in Title 39."

*Paragraph 1*

This paragraph is Complainants statement of jurisdiction, not factual allegations to which an answer is required.

*Paragraph 2*

This paragraph asserts the standing of the Complainant to initiate this Complaint. This statement is a legal conclusion and requires no response. The Postal Service does not challenge the Complainants standing based on its statement that its membership uses BPRS service. The Postal Service denies the Complainant's general

allegation that it “represents the interests of Standard (A) mailers”; it is the Postal Service’s understanding that the Complainant is one of a small subset of Standard (A) mailers with particular types of mail, mailing practices, business needs, and experience with the Postal Service, which may differ from those of other Standard (A) mailers.

Paragraph 3

This paragraph describes the scope of the complaint. This statement is procedural and requires no response.

Paragraph 4

The Postal Service denies the conclusion in the first sentence. The second sentence consists of a legal conclusion for which no answer is required. The Postal Service admits the factual statements in the third and fourth sentences.

Paragraph 5

Denied.

Paragraph 6

Denied.

*Paragraph 7*

The first sentence is admitted. The second sentence is denied.

*Paragraph 8*

The first sentence is admitted. The second sentence is denied.

*Paragraph 9*

Denied, except that the rates cited for Standard (A) up to 16 ounces and Special Standard (B) up to one pound are accurate for the time period stated.

*Paragraph 10*

The first sentence is denied. The second sentence is denied, except it is acknowledged that BPRS became effective on October 12, 1997. The third sentence is admitted. The fourth sentence is denied. The fifth sentence is denied, except for the

facts that the Postal Service had estimated attributable costs of \$1 .12 for BPRS, resulting in a cost coverage of 156 percent.

*Paragraph 11*

Denied, except that the BPRS fee, attributable cost, and cost coverage are accurately represented.

*Paragraph 12*

Admitted

*Paragraph 13*

Admitted that as a result of Docket No. R97-1, the rate for up to one pound of Special Standard (B) decreased from \$1.24 to \$1 .13, that the cost coverage for Special Standard (B) was 106 percent, that the BPRS fee remained at \$1.75, and that the rates became effective on January 10, 1999. In all other respects, the allegations are denied.

*Paragraph 14*

Denied, except it is acknowledged that in October 1998 the Postal Service filed a cost study estimating BPRS volume variable costs at \$0.93.

*Paragraph 15*

Denied, except that the BPRS rate is \$1.75.

*Paragraph 16*

Denied.

*Paragraph 17*

Denied.

*Paragraph 18*

Denied.

*Paragraph 19*

This paragraph consists of Complainants claim for relief. The Postal Service denies that Complainant is entitled to the relief requested.

The Postal Service denies all other allegations of material fact which have not been answered specifically herein.

In accordance with Rule 84(b) and (c) of the Rules of Practice and Procedure of the Postal Rate Commission, the Postal Service further states as follows:

1. The complaint is apparently based on several misunderstandings. First, Complainant misunderstands the methodology of the original BPRS cost study, which looked at various types of mail and determined that Special Standard (B) was the best proxy for costs in certain, but not all, of those categories. Complainant mistakenly concludes from this that the attributable costs of BPRS and Special Standard (B) are identical and makes calculations of so-called “mark ups” and “overhead allocations” based on this misunderstanding. Moreover, the fact that in some cases mailers have a choice of whether to use Standard (A) or Special Standard (B) does not mean that the costs of these two subclasses are the same, or that their cost coverages ought to be the same, or that the service they receive is the same in all respects.
2. Complainants apparent premise that the cost coverages for BPRS and Special Standard (B) should be the same or similar is also incorrect. It ignores the differences between the two types of mail and the appropriate application of the non-cost factors of the Act, including **ESCI**.
3. The Complaint also fails appropriately to consider the import of differences between the Postal Service’s volume variable analysis and the Commission’s attributable cost methodology with respect to the BPRS fee. If the October 1998 study of actual BPRS mailings were recalculated to use the methodologies used by the Commission in Docket No. **R97-1**, the resulting BPRS cost would be \$1.07. Based on a fee of \$1.75, this is an effective cost coverage of 163.5 percent. Complainant cites these facts in its Complaint, although it fails to put them in the proper context.

Compared to the 156 percent originally recommended by the Commission, the difference is relatively minor and not in need of adjustment in advance of the next omnibus rate case.

4. BPRS is a special service tailored to meet the particular needs of a small group of mailers. The service provides these mailers with improved return service compared to that which they were receiving at the higher rates previously applicable to their returns. In light of these circumstances, it cannot be maintained that a cost coverage at the current level is unlawful or inappropriate.

Accordingly, the Complaint fails to allege any significant harm worthy of remedy at this time. Allegations of discrimination or failure of the BPRS fee to comply with the other policies of the Act have not been supported but are based on misunderstandings of fact or law. The Complaint fails to allege facts sufficient to make further proceedings necessary. Therefore, the Commission should exercise its discretion under 39 U.S.C. § 3662 and determine not to hold hearings and should dismiss the Complaint.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

  
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July 9, 1999

## CERTIFICATE OF SERVICE

I hereby certify that, in accordance with section 12 of the Rules of Practice, I have this day served the foregoing document upon:

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